

**Massachusetts Housing Investment Corporation  
And  
Wholly Owned Subsidiaries**

Consolidated Financial Statements  
And  
Independent Auditors' Reports  
December 31, 2021 and 2020

**Massachusetts Housing Investment Corporation  
And  
Wholly Owned Subsidiaries**

December 31, 2021 and 2020

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**DANIEL DENNIS & Co**  
Certified Public Accountants

*Independent Auditors' Report*

To the Board of Directors of  
**Massachusetts Housing Investment Corporation**

**Report on the Audit of the Financial Statements**

***Qualified Opinion***

We have audited the accompanying consolidated financial statements of Massachusetts Housing Investment Corporation (a nonprofit corporation) and its wholly owned subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts Housing Investment Corporation and its wholly owned subsidiaries as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Qualified Opinion***

As more fully described in Note 23 to the consolidated financial statements, the Organization presents the financial position and results of operations of Massachusetts Housing Investment Corporation and its wholly owned subsidiaries only. Massachusetts Housing Investment Corporation and its wholly owned subsidiaries are required to consolidate several affiliated legally-separate for-profit entities and as a result of not consolidating those entities the consolidated financial statements are not presented in accordance with accounting principles generally accepted in the United States of America.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information presented on pages 31 through 33 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Daniel Dennis & Company LLP*

*June 27, 2022*

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Consolidated Statements of Financial Position  
December 31, 2021 and 2020

*Assets*

	<i>2021</i>	<i>2020</i>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 9,016,110	\$ 9,819,621
Restricted cash	4,017,328	4,166,478
Fee receivable - LIHTC Partnerships	1,727,201	2,105,146
Fee receivable - NMTC CDEs'	864,610	1,095,966
Current portion of program related loans	9,250,243	5,316,812
Program loan interest receivable	355,608	262,873
Accounts receivable	1,085,700	824,150
Due from affiliates	<u>1,066,803</u>	<u>534,653</u>
Total current assets	<u>27,383,603</u>	<u>24,125,699</u>
<i>Other Assets</i>		
Investment in marketable securities	26,037	59,607
Investment in capital stock	319,400	266,500
Program related loans	19,344,176	18,446,643
Program related investments	4,168,497	4,315,780
Other assets	361,246	212,939
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$509,022 and \$422,360 in 2021 and 2020, respectively	<u>150,156</u>	<u>113,187</u>
Total other assets	<u>24,369,512</u>	<u>23,414,656</u>
Total assets	<u>\$ 51,753,115</u>	<u>\$ 47,540,355</u>

*See accompanying notes to consolidated financial statements.*

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Consolidated Statements of Financial Position - *continued*  
December 31, 2021 and 2020

***Liabilities and Net Assets***

	<i>2021</i>	<i>2020</i>
<i>Current Liabilities</i>		
Current portion of notes payable	\$ 195,561	\$ 139,796
Deferred grant revenue	1,492,765	1,143,822
Accrued expenses and other liabilities	<u>1,123,275</u>	<u>2,604,353</u>
Total current liabilities	<u>2,811,601</u>	<u>3,887,971</u>
 <i>Long-Term Liabilities</i>		
Unearned fees	2,151,478	2,692,069
Notes payable	<u>23,866,273</u>	<u>19,895,451</u>
Total long-term liabilities	<u>26,017,751</u>	<u>22,587,520</u>
Total liabilities	<u>28,829,352</u>	<u>26,475,491</u>
 <i>Net Assets</i>		
Without donor restrictions	20,608,901	19,249,864
With donor restrictions	<u>2,314,862</u>	<u>1,815,000</u>
Total net assets	<u>22,923,763</u>	<u>21,064,864</u>
Total liabilities and net assets	<u>\$ 51,753,115</u>	<u>\$ 47,540,355</u>

*See accompanying notes to consolidated financial statements.*

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Consolidated Statements of Activities  
For the Years Ended December 31, 2021 and 2020

	<i>2021</i>			<i>2020</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<i>Operating Revenue and Support</i>						
Interest on deposits	\$ 15,219	\$ -	\$ 15,219	\$ 45,397	\$ -	\$ 45,397
Interest on program related loans	886,366	-	886,366	1,285,085	-	1,285,085
Unrealized (loss)/gain on investments	(262)	-	(262)	348	-	348
Loan program revenue	1,172,758	-	1,172,758	1,100,716	-	1,100,716
NMTC program revenue	1,485,113	-	1,485,113	2,827,277	-	2,827,277
LIHTC program revenue	4,790,490	-	4,790,490	4,104,748	-	4,104,748
Other program revenue	983,869	-	983,869	1,055,883	-	1,055,883
Grant revenue	80,805	-	80,805	911,100	-	911,100
Total operating revenue and support	<u>9,414,358</u>	<u>-</u>	<u>9,414,358</u>	<u>11,330,554</u>	<u>-</u>	<u>11,330,554</u>
<i>Operating Expenses</i>						
Salaries and employee benefits	6,081,615	-	6,081,615	7,260,391	-	7,260,391
Occupancy, equipment and furniture	583,181	-	583,181	543,248	-	543,248
Professional services	1,481,468	-	1,481,468	1,537,244	-	1,537,244
Depreciation	86,662	-	86,662	93,263	-	93,263
Grant expenses	-	-	-	160,243	-	160,243
Interest expense	237,832	-	237,832	549,528	-	549,528
Other office expenses and support	584,938	-	584,938	906,604	-	906,604
Total operating expenses	<u>9,055,696</u>	<u>-</u>	<u>9,055,696</u>	<u>11,050,521</u>	<u>-</u>	<u>11,050,521</u>
Change in net assets from operations	358,662	-	358,662	280,033	-	280,033
<i>Non - Operating Revenue/(Expenses)</i>						
Federal grant revenue	1,160,485	499,862	1,660,347	123,213	15,000	138,213
Federal grant expenses	-	-	-	(123,213)	-	(123,213)
Other grant revenue	7,708,739	-	7,708,739	2,580,114	-	2,580,114
Other grant expenses	(7,708,739)	-	(7,708,739)	(2,580,114)	-	(2,580,114)
Loss from investment in subsidiaries	(160,110)	-	(160,110)	(924,848)	-	(924,848)
Total change in net assets	1,359,037	499,862	1,858,899	(644,815)	15,000	(629,815)
Net assets at beginning of year	19,249,864	1,815,000	21,064,864	19,894,679	1,800,000	21,694,679
Net assets at end of year	<u>\$ 20,608,901</u>	<u>\$ 2,314,862</u>	<u>\$ 22,923,763</u>	<u>\$ 19,249,864</u>	<u>\$ 1,815,000</u>	<u>\$ 21,064,864</u>

*See accompanying notes to consolidated financial statements.*



**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Consolidated Statements of Functional Expenses  
For the Years Ended December 31, 2021 and 2020

<i>Program Services</i>					
<i>2021</i>	<i>Loan and Other Programs</i>	<i>NMTC</i>	<i>LIHTC</i>	<i>Management and General</i>	<i>2021 Total</i>
Salaries and employee benefits	\$ 3,526,140	\$ 418,984	\$ 1,351,766	\$ 784,725	\$ 6,081,615
Occupancy, equipment and furniture	338,131	40,177	129,624	75,249	583,181
Professional services	922,735	109,642	353,736	95,355	1,481,468
Depreciation	50,248	5,970	19,262	11,182	86,662
Interest expense	237,832	-	-	-	237,832
Other office expenses and support	339,141	40,297	130,011	75,489	584,938
	<u>\$ 5,414,227</u>	<u>\$ 615,070</u>	<u>\$ 1,984,399</u>	<u>\$ 1,042,000</u>	<u>\$ 9,055,696</u>

<i>Program Services</i>					
<i>2020</i>	<i>Loan and Other Programs</i>	<i>NMTC</i>	<i>LIHTC</i>	<i>Management and General</i>	<i>2020 Total</i>
Salaries and employee benefits	\$ 3,311,676	\$ 1,324,014	\$ 1,922,083	\$ 702,618	\$ 7,260,391
Occupancy, equipment and furniture	247,792	99,067	143,817	52,572	543,248
Professional services	651,711	260,556	378,251	246,726	1,537,244
Depreciation	42,540	17,008	24,690	9,025	93,263
Grant expenses	160,243	-	-	-	160,243
Interest expense	549,528	-	-	-	549,528
Other office expenses and support	413,172	165,187	239,803	88,442	906,604
	<u>\$ 5,376,662</u>	<u>\$ 1,865,832</u>	<u>\$ 2,708,644</u>	<u>\$ 1,099,383</u>	<u>\$ 11,050,521</u>

*See accompanying notes to consolidated financial statements.*

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2021 and 2020

	2021	2020
<i>Operating activities:</i>		
Change in net assets	\$ 1,858,899	\$ (629,815)
<i>Adjustments to reconcile changes in net assets to net cash (used in)/provided by operating activities:</i>		
Depreciation	86,662	93,263
Unrealized loss/(gain) on investments	262	(348)
Loss from investment in subsidiaries	160,110	924,848
Bad debt expense	-	433,247
Other income	(420,229)	-
<i>Change in operating assets and liabilities:</i>		
Due from affiliates	(532,150)	15,632
Accounts receivable and other assets	(409,857)	(111,057)
Unearned fees	(540,591)	968,001
Deferred grant revenue	348,943	(1,593,327)
Accrued expense and other liabilities	(1,481,078)	630,820
Fees receivable—LIHTC Partnerships	377,945	353,545
Fees receivable—NMTC CDEs'	231,356	(447,434)
Program loan interest receivable	<u>(92,735)</u>	<u>98,755</u>
Net cash (used in)/provided by operating activities	<u>(412,463)</u>	<u>736,130</u>
<i>Investing activities:</i>		
Funds advanced under program related loans	(13,009,135)	(23,758,381)
Collection of funds from program related loans	8,598,400	26,959,341
Redemption of marketable securities	33,570	88,955
Distributions from program related investments	2,280	7,005
Purchase of other investments	(68,007)	(3,369)
Purchase of furniture and equipment	<u>(123,631)</u>	<u>(28,570)</u>
Net cash (used in)/provided by investing activities	<u>(4,566,523)</u>	<u>3,264,981</u>
<i>Financing activities:</i>		
Repayment of notes payable	(1,809,175)	(14,089,759)
Proceeds from notes payable	<u>5,835,500</u>	<u>8,098,257</u>
Net cash provided by/(used in) financing activities	<u>4,026,325</u>	<u>(5,991,502)</u>
Net change in cash, cash equivalents and restricted cash	(952,661)	(1,990,391)
Cash, cash equivalents and restricted cash, beginning of year	<u>13,986,099</u>	<u>15,976,490</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 13,033,438</u>	<u>\$ 13,986,099</u>
<i>Reconciliation of cash, cash equivalents and restricted cash</i>		
Cash and cash equivalents	\$ 9,016,110	\$ 9,819,621
Restricted cash	<u>4,017,328</u>	<u>4,166,478</u>
Total cash and restricted cash	<u>\$ 13,033,438</u>	<u>\$ 13,986,099</u>
<i>Supplemental information</i>		
Interest paid	<u>\$ 241,439</u>	<u>\$ 584,531</u>

*See accompanying notes to consolidated financial statements.*

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

**1. *Background and Accounting Policies***

*Purpose*

On July 1, 1990, the Massachusetts Housing Investment Corporation (MHIC) was formally established as a Massachusetts-chartered, Chapter 180, not-for-profit corporation. MHIC's mission is to pool the resources of Massachusetts' lenders and investors to improve and expand the financing of affordable housing and community development throughout New England.

*Principles of Consolidation*

The consolidated financial statements include the accounts of MHIC and its wholly-owned subsidiaries. At December 31, 2021 and 2020, wholly owned subsidiaries include Massachusetts Housing Equity Fund, Inc. (MHEF), Neighborhood Stabilization Loan Fund LLC (NSLF), MHIC HNEF Investor LLC (HNEF Investor), MHIC HNEF Manager LLC (HNEF Manager), MHIC HNEF Class B Investor LLC (HNEF Class B), MHIC CMF Affordable Housing Fund I LLC (CMF), and MHIC Neighborhood Commerce Fund I LLC (NCF). All significant intercompany transactions and balances have been eliminated in consolidation.

*Program Activities*

MHIC has established four main financing programs to carry out its mission:

*Loan Program*

The loan program focuses on providing debt financing to developers of affordable housing. From its inception in 1990 through December 2000, MHIC utilized a loan pool structure to extend this financing. The loan-pool was funded with the proceeds from below market rate loans (member loans) made to MHIC from participating member corporations. In January 2001, MHIC converted the loan pool to a limited liability company structure. As a result, the member loans were converted to equity interests in a new entity, MHIC, LLC (the LLC). In addition, the various project loans, deposit accounts and reserves owned by MHIC were transferred to the LLC in exchange for extinguishing the member loans. MHIC is the manager of the LLC (see Note 2, Loan Program).

*Healthy Neighborhood Equity Funds (HNEF)*

The HNEF program uses private equity to finance mixed-use, mixed-income transit-oriented development with the potential to be transformative in terms of jobs, health, and climate impacts. Investor returns are generated from project cash flow, along with priority distributions from refinancing or equity take-outs. MHIC is the manager of two HNEF investment funds and also provides top-loss capital through subordinate investment in those entities.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**1. *Background and Accounting Policies – continued***

*Program Activities - continued*

*Low Income Housing Tax Credit (LIHTC) Program*

The LIHTC program utilizes the federal low-income housing tax credit to provide equity financing to developers of affordable housing. The initial role of the program was to assist member corporations in underwriting low-income housing tax credit investments. The program, through MHIC's wholly owned subsidiary MHEF, is now a full-service syndicator of limited partnerships or limited liability companies (the LIHTC Partnerships) structured for investment in low-income housing projects (Operating Partnerships) in Massachusetts. MHEF was formed in June 1993 and is currently the general partner/managing member of forty-one LIHTC Partnerships.

*New Markets Tax Credit (NMTC) Program*

The NMTC program utilizes the federal new markets tax credit to provide debt and equity financing to businesses that serve or operate in low-income communities. As of December 31, 2021, MHIC has received twelve allocations of tax credits totaling \$907,000,000.

MHIC has utilized these allocations to syndicate investment companies that are structured for investment in community development entities (MHIC-CDEs), which in turn provide financing to qualifying businesses. MHIC has also utilized these allocations for single investor funds in which the sole investor creates an investment fund to invest in MHIC-CDEs, which in turn provide financing to qualifying businesses. In aggregate, MHIC has made cumulative investments totaling \$907,000,000, of which \$235,411,096 and \$270,702,624 was outstanding as of December 31, 2021 and 2020, respectively.

*Basis of Accounting and Presentation*

MHIC's consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Under GAAP, MHIC is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of MHIC. The Board of Directors has discretionary control over all of these assets and may elect to designate such resources for specific purposes.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**1. *Background and Accounting Policies – continued***

*Basis of Accounting and Presentation – continued*

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of MHIC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions of cash and other assets are reported as increases to net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions. Contributions with donor restrictions received where related restrictions are met in the same reporting period are classified as contributions without donor restrictions. Board and external source designated funds are recorded as such in net assets without donor restrictions.

*Cash and Cash Equivalents*

MHIC considers highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, MHIC held cash equivalents of \$2,995,020 and \$4,315,138, respectively.

*Furniture, Equipment and Leasehold Improvements*

Furniture, equipment and leasehold improvements are stated at cost or fair market value if donated, less accumulated depreciation. Depreciation is computed by the straight-line method using rates based on estimated useful lives that range from 3 to 5 years. Assets with a cost of greater than \$1,000 and a useful life of greater than one year are capitalized.

*Project Loans and Allowance for Possible Project Loan Losses*

Loans are stated at the amount of unpaid principal. Interest on project loans is recognized as income by applying the interest rates in effect to the principal amount outstanding. Accrual of interest income on project loans receivable is suspended when a loan is contractually delinquent for ninety days. The accrual is resumed when the loan becomes contractually current. An allowance for project loan losses is maintained based upon the evaluation of the risks associated with the outstanding loan assets. Any losses or recoveries subsequently realized are charged or credited to the allowance.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**1. *Background and Accounting Policies – continued***

*Off Balance Sheet Credit Exposure*

As a financial services provider, MHIC routinely extends credit in the form of loan commitments. The funded portion of these commitments is reflected on the accompanying consolidated statements of financial position as program related loans. The unfunded portions of these commitments, which represent contractual obligations that may require the use of cash in the future, are considered off-balance sheet liabilities. They involve, to varying degrees, elements of credit and interest rate risk that are not recognized in the accompanying consolidated statements of financial position.

Unfunded loan commitments represent the maximum possible credit risk should the borrowers fully draw down their loans. They are subject to the provisions of the underlying loan agreements and are cancellable only if the borrower is in default or in violation of any loan covenants. As of December 31, 2021 and 2020, unfunded loan commitments totaled \$5,385,535 and \$3,100,435, respectively. These commitments have been established pursuant to MHIC's loan policy.

Since MHIC's loan portfolio is heavily concentrated with loans for affordable housing that contain limited market risk, an allowance for loan losses for unfunded commitments is only established for specific borrowers on a case by case basis. At December 31, 2021 and 2020, there were no reserves for unfunded loan commitments.

*Below Market Loans*

MHIC's mission is to pool the resources of lenders and investors to improve and expand the financing of affordable housing and community development throughout New England. Other not-for-profit and governmental entities having a similar policy have lent money to MHIC at advantageous terms. MHIC has not discounted these below market interest rate loans as they were made at arm's length and to further those entities' policies.

*Reclassification*

Certain 2020 amounts have been reclassified to conform to the 2021 financial statement presentation.

*Fees and Accounts Receivable*

Fees and accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on collection experience and other circumstances that may affect the ability of agencies and partnerships to meet their obligations. It is MHIC's policy to charge off uncollectible fees and accounts receivable when management determines the receivable will not be collected. As of December 31, 2021 and 2020, there was no allowance for doubtful accounts.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**1. *Background and Accounting Policies – continued***

*Revenue Recognition*

Loan program revenue reflects fees earned on a contractual basis for services provided to the LLC (see Note 2). MHIC recognizes revenue from the loan program as the services are provided.

LIHTC program revenue reflects fees earned on a contractual basis for services that include organization, syndication, underwriting, long-term asset management and partnership administration. The fees for syndicating and organizing the LIHTC Partnerships are recognized when syndication is complete. Fees for underwriting investments are recognized at the time the underlying properties are acquired (see Note 8).

The fees for asset management and partnership administration are recognized over the life of the LIHTC Partnerships (estimated to be approximately 15 years). Certain refundable fees are deferred until the potential obligation lapses (see Note 8).

NMTC program revenue reflects fees earned on a contractual basis for services provided to the MHIC-CDEs (see Note 7). MHIC recognizes revenue from the NMTC program as the services are provided.

Other program revenue includes fees earned on a contractual basis for asset management and administration of HNEF LP (see Note 4). MHIC recognizes revenue from HNEF LP as the services are provided. In addition, other program revenue includes additional fees for services under programs administered by MHIC, which are received from unrelated third parties. This revenue is recorded on a monthly basis as the services are provided, and payment is expected within thirty days of billing. At December 31, 2021 and 2020, receivables related to the additional fees totaled \$23,374 and \$344,047, respectively and there were no contract liabilities.

In general, grant income is derived from cost-reimbursable federal, state and local government contracts, which are conditioned upon certain performance requirements and/or the incurrence of qualifying expenditures. Amounts received are recognized as revenue when MHIC has incurred expenditures in compliance with specific grant or contract provisions. Amounts received prior to costs being incurred are recorded as deferred revenue in the accompanying consolidated financial statements.

*Use of Estimates*

Financial statements prepared in accordance with GAAP require the use of management estimates that affect the amounts and disclosures recorded in the consolidated financial statements. Actual results may differ from those estimates.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**1. *Background and Accounting Policies – continued***

*Income Tax Status*

In February 1993, MHIC was granted tax-exempt status as a 501(c)(3) corporation under federal and state tax law. MHEF is a for-profit corporation and therefore is subject to federal and state income taxes. MHEF accounts for income taxes, whereby deferred taxes are recognized using the liability method. This method calculates deferred tax assets and liabilities based on tax rates that are expected to apply when temporary differences reverse. NSLF, HNEF Investor, HNEF Manager, HNEF Class B, CMF and NCF are disregarded entities for tax purposes.

MHIC and its wholly owned subsidiaries evaluate tax positions taken or expected to be taken in their tax returns to determine whether the tax positions are *more-likely-than-not* of being sustained by the applicable tax authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalty thereon would be recorded as an expense in the current year consolidated financial statements. At December 31, 2021, MHIC and its wholly owned subsidiaries believe that they have no uncertain tax positions within any of their open tax years, (2018-2020).

*Investments and Investment Income*

*Program Related Investments*

MHIC accounts for its program related investments using the equity method of accounting. Under the equity method, the investments are carried at cost and adjusted for MHIC's share of income, losses, additional investments and cash distributions from the program related investments. As a limited partner in program related investments, with no further funding obligations, MHIC ceases recognition of losses for financial statement purposes once the cost of an investment is reduced to zero. Changes in the value of the investments, which are other than temporary, are recognized as necessary.

*Investments in Capital Stock*

As of December 31, 2021 and 2020, MHIC owned capital stock in the Federal Home Loan Bank of Boston (FHLBB). The investment in FHLBB is valued at cost due to the lack of information that can be used to approximate the fair value. At December 31, 2021 and 2020, MHIC's investment in the FHLBB totaled \$319,400 and \$266,500, respectively. Annually, management performs an assessment of any possible impairment. As of December 31, 2021 and 2020, management has determined that no such impairment exists.



**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**1. Background and Accounting Policies – continued**

*Investments and Investment Income – continued*

*Investments in Marketable Securities*

Marketable securities are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See below for discussion of fair value measurements.

Dividends, interest and gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless a donor or law temporarily or permanently restrict their use.

*Fair Value Measurements*

Fair value measurements are reported using a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2            Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**1. *Background and Accounting Policies – continued***

*Functional Expenses*

Expenses are charged directly to programs or management and general based on specific identification. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and employee benefits, occupancy, equipment and furniture, depreciation, and other office expenses and support, which are allocated on the basis of time and effort.

The consolidated statements of functional expenses disclose operating expenses by functional and natural classification, and excludes non-operating expenses related to the grant activity as described below.

*Measure of Operations*

In its consolidated statements of activities, MHIC includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities and excludes gains and losses from its program related investments, federal and other non-operating grant revenue, and federal and other non-operating grant expenditures.

**2. *Loan Program***

The loan program utilizes a structure whereby investors invest in the LLC which in turn provides financing to low-income housing and community development projects. The interest earned on this financing is passed-through to investors to provide a "reasonable" return on investment.

The initial capitalization of the LLC was effected by a Contribution Agreement whereby member corporations contributed loans made to MHIC under the former loan pool structure (member loans) to the LLC in exchange for LLC membership interests. In addition, MHIC and the LLC entered into a Participation Agreement that provided for the LLC to purchase an undivided 100% interest in the project loans, bank accounts and reserves owned by MHIC (associated with the former loan pool) in exchange for the discharge of the member loans.

MHIC earns advisory fees for managing the affairs of the LLC pursuant to the terms of an Advisory Agreement. The scope of services under the Advisory Agreement includes managing the orderly underwriting, approval and origination of loans and acquisition of investments, servicing loans and investments, establishing loan and investment policies, supervising and managing the requisition and disbursement of funds for loans, investing idle funds, business development and various other services that may be required by the LLC in the ordinary course of its business. These fees are earned on a monthly basis as the services are provided and payment is anticipated within thirty days of billing based on available cash flow.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**2. *Loan Program - continued***

During the years ended December 31, 2021 and 2020, MHIC earned \$1,172,758 and \$1,100,716, respectively, in fees for services provided to the LLC. Amounts receivable in connection with these fees totaled \$185,667, \$115,588 and \$142,433 at December 31, 2021, 2020 and 2019, respectively, and there were no contract liabilities.

For the years ended December 31, 2021 and 2020, MHIC waived certain fees due under the terms of the Advisory Agreement in order to improve the return to the LLC's members.

**3. *Massachusetts Housing Equity Fund, Inc. (MHEF)***

MHEF, as general partner/managing member of the LIHTC Partnerships, has a de minimis interest in their respective profits, losses and distributions. MHEF accounts for its investment in the LIHTC Partnerships using the equity method. Under the equity method, the investments are carried at cost and adjusted for MHEF's share of income or loss from the LIHTC Partnerships, additional investments and cash distributions.

The LIHTC Partnerships, as limited partners in the various Operating Partnerships, are subject to risks inherent in the ownership of property which is beyond their control, such as fluctuations in occupancy rates and operating expenses, variations in rental schedules, proper maintenance of facilities and continued eligibility of tax credits. If the cost of operating a property exceeds the rental income earned thereon, the LIHTC Partnership, or MHEF acting independently as an investor, may deem it in its best interest to voluntarily provide funds in order to protect its investment.

At December 31, 2021 and 2020, MHEF had total assets of \$1,222 and \$1,480, and MHIC's investment in MHEF amounted to \$1,222 and \$1,480, respectively.

**4. *Healthy Neighborhoods Equity Fund (HNEF)***

Healthy Neighborhoods Equity Fund I Limited Partnership (HNEF LP) is organized as a Massachusetts limited partnership for the purpose of investing in or making loans to entities that intend to engage in the construction or rehabilitation of mixed-income, mixed-use commercial and residential developments.

HNEF Manager, HNEF Investor and HNEF Class B (the HNEF LLCs') are organized as single-member Massachusetts limited liability companies, with MHIC as the sole member and administrator. The purpose of the HNEF LLCs' is to acquire partnership interests in and provide management services to HNEF LP. The HNEF LLCs' account for their investment in HNEF LP using the equity method. Under the equity method, the investments are carried at cost and adjusted for the HNEF LLCs' share of income or loss, additional investments made and cash distributions received.

At December 31, 2021 and 2020, the HNEF LLCs' had total assets of \$4,125,652 and \$4,285,762, and MHIC's investment amounted to \$4,125,652 and \$4,285,762, respectively.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**4. *Healthy Neighborhoods Equity Fund (HNEF) – continued***

MHIC as the sole member of the HNEF LLCs', has entered into an agreement with HNEF LP to provide investment and management services.

Under the terms of this agreement, MHIC provides asset management services to assist in the organization, administration, and management of HNEF LPs' affairs. These fees are earned monthly at a rate of 2% of the weighted average of aggregate entity investments made by HNEF LP, and are payable quarterly, subject to available cash flow. During the years ended December 31, 2021 and 2020, MHIC earned \$420,885 and \$419,065, respectively, in fees for services provided to HNEF LP.

Additionally, MHIC pays certain third party operating expenses on behalf of HNEF LP, which are reimbursable to MHIC when paid.

At December 31, 2021, 2020 and 2019, amounts receivable in connection with these contractual fees totaled \$422,440, \$419,065 and \$407,852, respectively, and there were no contract liabilities.

**5. *MHIC CMF Affordable Housing Fund I LLC (CMF)***

During 2017, MHIC received \$1,800,000 in grant funds from the Community Development Financial Institutions Fund (CDFI) to capitalize CMF, a single member Massachusetts limited liability company, with MHIC as the sole member and program administrator. The purpose of CMF is to provide loans to affordable rental housing developments within Massachusetts, particularly those located in areas of high housing need and/or those with at least twenty percent of units reserved for households earning no more than fifty percent of area median income.

At December 31, 2021 and 2020, CMF had total assets of \$2,251,279 and \$4,250,970, and MHIC's investment amounted to \$2,225,279 and \$2,101,988, respectively.

**6. *MHIC Neighborhood Commerce Fund I LLC (NCF)***

During 2019, MHIC received \$612,000 in grant funds from the Community Development Financial Institutions Fund (CDFI) to capitalize NCF, a single member Massachusetts limited liability company, with MHIC as the sole member and program administrator. The purpose of NCF is to provide working capital loans or fit-out loans to small businesses that are tenants in MHIC financed properties.

At December 31, 2021 and 2020, NCF had total assets of \$4,719,590 and \$4,835,445, and MHIC's investment amounted to \$1,219,590 and \$832,761, respectively.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**7. *New Markets Tax Credit Program Revenue (NMTC)***

MHIC has entered into agreements with the various MHIC-CDEs to provide professional, administrative and management services. The fees for these services were determined by MHIC. These services include all administrative and management support in connection with the formation of the MHIC-CDEs, legal and professional services required to close loans to or investments in qualifying businesses, and asset management services to monitor business and compliance aspects of MHIC-CDEs loans and investments. These fees are earned on a monthly basis as the services are provided and payment is anticipated within thirty days of billing based on available cash flow.

During the years ended December 31, 2021 and 2020, MHIC earned total fees for services to the MHIC CDEs of \$1,485,113 and \$2,827,277, respectively. Amounts receivable in connection with these contractual fees totaled \$864,610, \$1,095,966 and \$648,532 at December 31, 2021, 2020 and 2019, respectively, and there were no contract liabilities.

**8. *Low Income Housing Tax Credit Program Revenue (LIHTC)***

MHIC has entered into agreements with various LIHTC Partnerships to provide investment and management services. The fees for these services were determined by MHIC. These services include underwriting and administrative support in connection with syndicating investments, legal and professional services required to close loans to or investments in qualifying businesses and long-term asset management services to monitor business and compliance aspects of the portfolio of investments. These fees are earned on a monthly basis as the services are provided and payment is anticipated within thirty days of billing based on available cash flow.

During the years ended December 31, 2021 and 2020, MHIC earned total fees for services to the LIHTC Partnerships of \$4,790,490 and \$4,104,748, respectively. Amounts receivable in connection with these contractual fees totaled \$1,727,201, \$2,105,146 and \$2,458,691 at December 31, 2021, 2020 and 2019, respectively.

During 2021, MHIC made an advance to a LIHTC Partnership to bridge equity financing for an Operating Partnership. The amount outstanding as of December 31, 2021 was \$458,696.

Unearned equity fees reflect MHIC's obligation to provide future services to the LIHTC Partnerships as consideration for the fees received in advance. This obligation is reduced as services are provided, according to the revenue recognition methodology as described above.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**8. *Low Income Housing Tax Credit Program Revenue (LIHTC) – continued***

The following table provides information about significant changes in the unearned fees for the years ended December 31, 2021 and 2020:

	<i>2021</i>	<i>2020</i>
Unearned fees, beginning balance	\$ 2,692,069	\$ 1,724,068
Investor servicing fees recognized	(540,591)	(502,851)
Collection of advanced fees	<u>-</u>	<u>1,470,852</u>
Unearned fees, ending balance	<u>\$ 2,151,478</u>	<u>\$ 2,692,069</u>

**9. *Program Related Loans***

Program related loans are loans made to low-income housing and community development projects and are offered in conjunction with financing provided by affiliates of MHIC. MHIC typically provides the predevelopment or high loan-to-value component of the financing for a given transaction. Program related loans earn interest at either fixed or variable rates that range from 0% to 6.25% and are secured, in a subordinated position, by the underlying real estate.

At December 31, 2021 and 2020, the activity in the program related loans were as follows:

	<i>2021</i>	<i>2020</i>
Beginning balance	\$ 25,043,356	\$ 28,244,316
Loan disbursements	13,009,135	23,758,381
Loan repayments	<u>(8,598,400)</u>	<u>(26,959,341)</u>
Program related loans outstanding	29,454,091	25,043,356
Allowance for loan losses	<u>(859,672)</u>	<u>(1,279,901)</u>
Ending balance	<u>\$ 28,594,419</u>	<u>\$ 23,763,455</u>

At December 31, 2021 and 2020, project loans consist of the following:

<i>Loan category</i>	<i>2021</i>	<i>2020</i>
Construction	\$ 3,545,673	\$ 1,512,966
Acquisition	3,984,000	6,979,270
Amortizing	11,592,216	12,241,739
Mini perm	114,665	1,645,690
Bridge	8,545,774	1,820,613
Predevelopment	<u>1,671,763</u>	<u>843,078</u>
Program related loans outstanding	29,454,091	25,043,356
Allowance for loan losses	<u>(859,672)</u>	<u>(1,279,901)</u>
Ending balance	<u>\$ 28,594,419</u>	<u>\$ 23,763,455</u>

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**9. Program Related Loans – continued**

At December 31, 2021, contract maturities of the above loans are as follows:

2022	\$ 9,250,243
2023	1,160,370
2024	26,606
2025	1,705,231
2026	4,121,759
Thereafter	13,189,882
Total	<u>\$ 29,454,091</u>

The amount of loans on which MHIC has ceased accruing interest totaled \$2,997,618 and \$1,117,747 at December 31, 2021 and 2020, respectively. The amount of interest not recorded on nonaccrual loans was approximately \$44,597 and \$36,493 for the years ended December 31, 2021 and 2020, respectively.

The following tables present informative data by class of financing receivable regarding their age and interest accrual status at December 31, 2021 and 2020:

<b>December 31, 2021</b>	Past Due				Total Financing Receivables	Status of Interest Accruals	
	Current	30-59 Days	60-89 Days	90 + Days		Non-Accrual Status	Financing Receivables Past 90 + Days still Accruing Interest
	\$	\$	\$	\$		\$	\$
Construction	\$ 1,708,077	\$ -	\$ -	\$ 1,837,596	\$ 3,545,673	\$ 1,837,596	\$ -
Acquisition	3,984,000	-	-	-	3,984,000	-	-
Amortizing	10,432,194	-	-	1,160,022	11,592,216	1,160,022	-
Mini perm	114,665	-	-	-	114,665	-	-
Bridge	8,545,774	-	-	-	8,545,774	-	-
Predevelopment	1,671,763	-	-	-	1,671,763	-	-
<b>Total</b>	<u>\$ 26,456,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,997,618</u>	<u>\$ 29,454,091</u>	<u>\$ 2,997,618</u>	<u>\$ -</u>

<b>December 31, 2020</b>	Past Due				Total Financing Receivables	Status of Interest Accruals	
	Current	30-59 Days	60-89 Days	90 + Days		Non-Accrual Status	Financing Receivables Past 90 + Days still Accruing Interest
	\$	\$	\$	\$		\$	\$
Construction	\$ 1,512,966	\$ -	\$ -	\$ -	\$ 1,512,966	\$ -	\$ -
Acquisition	6,979,270	-	-	-	6,979,270	-	-
Amortizing	11,123,992	-	-	1,117,747	12,241,739	1,117,747	-
Mini perm	1,645,690	-	-	-	1,645,690	-	-
Bridge	1,820,613	-	-	-	1,820,613	-	-
Predevelopment	843,078	-	-	-	843,078	-	-
<b>Total</b>	<u>\$ 23,925,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,117,747</u>	<u>\$ 25,043,356</u>	<u>\$ 1,117,747</u>	<u>\$ -</u>

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**9. *Program Related Loans – continued***

Program related loans do not include loans made utilizing Federal Realty Investment Trust (FRIT) subsidy grant funds. Such loans made for the development of 49 scattered site units of permanent affordable housing in the City of Somerville are fully reserved and expected to be forgiven. During 2021 and 2020, FRIT loan funds disbursed and recorded as grant expense totaled \$7,708,739 and \$2,580,114, respectively.

**10. *Program Related Investments***

MHIC acquired a .01% interest in various New Markets program CDEs and/or subsidiaries amounting to \$42,845 and \$30,018 at December 31, 2021 and 2020, respectively. MHIC through its wholly owned subsidiaries entered into these limited liability companies to serve as the investor member and accounts for these investments under the equity method.

The HNEF LLCs have provided equity financing to HNEF LP for approximately 31% of its partnership interests. At December 31, 2021 and 2020, this investment is accounted for on the equity method and totaled \$4,125,652 and \$4,285,762, respectively. At December 31, 2021 and 2020, HNEF LP had total assets of \$14,302,724 and \$15,921,500, total liabilities of \$420,885 and \$419,065, and total partners' equity of \$13,881,839 and \$15,502,435, respectively. For the years ended December 31, 2021 and 2020, HNEF LP had total revenue of \$431,095 and \$308,007, total expenses of \$942,191 and \$2,220,769, and a net loss of \$511,096 and \$1,912,762, respectively.

**11. *Investments in Marketable Securities***

Investments in marketable securities consist of Ginnie Mae pass-through securities.

The Ginnie Mae securities were purchased as collateral for certain borrowing transactions with the Federal Home Loan Bank of Boston. There is an active secondary market for these securities and management considers them held "for-sale". The underlying assets consist of mortgage loans that are insured by the federal government.

At December 31, 2021 and 2020, the securities were valued at \$26,037 and \$59,607, respectively. During 2021 and 2020, MHIC recorded unrealized losses of \$262 and unrealized gains of \$348, respectively.

All investment assets have been valued using the market approach. There have been no changes in the methodologies used at December 31, 2021 and 2020.

The Ginnie Mae's securities are backed by U.S. Government securities and estimated based on quoted market prices for securities of similar maturity in markets that are not active and are considered level 2 investments.



**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**12. Notes Payable**

MHIC has borrowed \$1,000,000 from the Department of Housing and Community Development under the Affordable Housing Trust Fund Statute. The loan bears no interest and the entire amount is payable in full on December 31, 2030. At December 31, 2021 and 2020, the outstanding balance was \$1,000,000.

MHIC has borrowed \$1,000,000 from the Boston Foundation. The loan bears interest at 1.5% and matures on December 15, 2025. At December 31, 2021 and 2020, the outstanding balance was \$1,000,000.

MHIC has borrowed \$3,600,000 from the Northern Trust Company. The loan bears interest at 1.5% and matures on December 14, 2025. At December 31, 2021 and 2020, the outstanding balance was \$3,600,000.

MHIC has borrowed \$2,672,778 from the Federal Home Loan Bank under the Jobs for New England program (JNE) for the purpose of making commercial loans to two specific projects. In addition, MHIC borrowed \$5,115,500 under the Affordable Housing Program (AHP) for the purpose of making permanent loans to three specific projects. The loans bear interest at rates ranging from 0% to 1% and have maturity dates that range from April 2025 to July 2041. At December 31, 2021 and 2020, the outstanding balance of notes payable to the Federal Home Loan Bank was \$7,314,535 and \$6,096,347, respectively.

MHIC has borrowed \$5,000,000 from the Kresge Foundation for the purpose of making commercial loans to specific projects. The loan bears interest at 1% and matures November 27, 2028. At December 31, 2021 and 2020, the outstanding balance was \$3,183,668 and \$2,563,900, respectively.

MHIC has borrowed \$1,000,000 from the Boston Medical Center for the purpose of making commercial loans to specific projects. The loan bears no interest and matures December 18, 2026. At December 31, 2021 and 2020, the outstanding balance was \$1,000,000.

MHIC has borrowed \$1,625,000 from Mass General Brigham Incorporated for the purpose of making a commercial loan to a specific project. The loan bears interest at 1% and matures May 14, 2026. At December 31, 2021 and 2020, the outstanding balance was \$758,631 and \$1,625,000, respectively.

MHIC has borrowed \$150,000 from the U.S. Small Business Administration (SBA) under the Economic Injury Disaster Loan (EIDL) program. The loan bears interest at 2.75% and matures June 8, 2050. At December 31, 2021 and 2020, the outstanding balance was \$150,000.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**12. Notes Payable – continued**

MHIC has entered into an Equity Equivalent Investment Agreement (EQ2 Agreement) with Citizens Bank for up to \$5,000,000 to facilitate investments evaluated under the provisions of the Community Reinvestment Act (CRA). During 2020, MHIC borrowed \$3,000,000 under the EQ2 Agreement. The subordinated debt instrument bears interest at 2% and matures at various dates between October 1, 2025 and October 1, 2030, with automatic three-year extensions at each renewal date. The note also contains various restrictions and covenants as required under the EQ2 Agreement. At December 31, 2021 and 2020, the outstanding balance was \$5,000,000 and \$3,000,000, respectively.

During 2021, MHIC borrowed \$600,000 from Tufts Health Plan Foundation, Inc. to be used for the purpose of making a commercial loan to a specific project. The loan bears interest at 1% and matures August 19, 2028. At December 31, 2021, the outstanding balance was \$600,000.

During 2021, MHIC borrowed \$455,000 from Blue Cross & Blue Shield of Rhode Island to be used for the purpose of making a commercial loan to a specific project. The loan bears interest at 1% and matures October 6, 2028. At December 31, 2021, the outstanding balance was \$455,000.

Scheduled payments of principal for the next five years and thereafter is as follows:

2022	\$ 195,561
2023	217,018
2024	280,470
2025	6,156,326
2026	4,438,556
Thereafter	<u>12,773,903</u>
Total	<u>\$ 24,061,834</u>

**13. Cash and Credit Risk**

At December 31, 2021 and 2020, cash balances are held at financial institutions with federal insured limits of up to \$250,000 for each financial institution. Balances held at these institutions during the year can exceed this limit. MHIC has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on its cash.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**14. *Employee Benefit Plan***

As a tax-exempt 501(c)(3) corporation, MHIC established a noncontributory, defined contribution plan under Section 401(a) of the Internal Revenue Code covering all full-time employees. The employer contribution has multiple components that are based upon a percentage of employee salary. These components include 4% profit sharing, a 100% match of employee contributions up to 3% of a given employee's salary and a safe harbor match of up to an additional 1% of a given employee's salary. MHIC contributed and charged to expense \$377,884 and \$377,038 for the years ended December 31, 2021 and 2020, respectively. These amounts are reflected in salaries and employee benefits in the accompanying consolidated statements of activities.

**15. *Leases***

MHIC leases its facilities and certain furniture and equipment under operating leases that expire over future periods and require various minimum rental payments.

MHIC incurred lease expenses associated with office space and equipment of \$583,181 and \$543,248, for the years ended December 31, 2021 and 2020, respectively. MHIC's current office lease expires on December 31, 2025 with one five-year option to extend.

Future minimum payments under these noncancelable operating leases consist of the following at December 31, 2021:

<i>Year</i>	<i>Amount</i>
2022	\$ 489,812
2023	499,995
2024	554,984
2025	<u>565,167</u>
Total	<u>\$ 2,109,958</u>

**16. *Guarantees Provided for Borrowing Facilities of Affiliates***

As of December 31, 2021 and 2020, MHIC is the guarantor on several borrowing facilities of its affiliates, for which there is no outstanding balance. These credit facilities are primarily secured by pledges of first mortgage loans, unconditional investor notes or partnership interests. In the event that the borrowings of the affiliates cannot be repaid as scheduled and the above mentioned primary collateral is not sufficient to cover the outstanding balance, MHIC would assure the obligation. MHIC has not recognized any obligations relative to the guarantees.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**17. Fixed Assets**

Property and equipment consists of the following:

	<i>2021</i>	<i>2020</i>
Furniture	\$ 249,553	\$ 248,803
Equipment	279,791	182,910
Leasehold improvements	<u>129,834</u>	<u>103,834</u>
Total fixed assets	659,178	535,547
Accumulated depreciation	<u>(509,022)</u>	<u>(422,360)</u>
Total	<u>\$ 150,156</u>	<u>\$ 113,187</u>

**18. Restricted Cash**

At December 31, 2021 and 2020, restricted cash consists of the following:

	<i>2021</i>	<i>2020</i>
CDFI conditional grant advances	\$ 1,493,476	\$ 1,143,822
CDFI unadvanced program income	767,497	846,144
Other program lending funds	<u>1,756,355</u>	<u>2,176,512</u>
Total restricted cash	<u>\$ 4,017,328</u>	<u>\$ 4,166,478</u>

**19. Net Assets with Donor Restrictions**

Net assets with donor restrictions for the years ended December 31, 2021 and 2020 were as follows:

	<i>2021</i>	<i>2020</i>
<i>Specific Purpose and Passage of Time</i>		
CDFI Capital Magnets Grant restricted for use in a revolving loan fund	\$ 1,800,000	\$ 1,800,000
CDFI Neighborhood Commerce Grant restricted for use towards loan loss reserves	278,830	15,000
CDFI Minority Contractor Factoring Grant restricted for use towards factoring receivables	<u>236,032</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 2,314,862</u>	<u>\$ 1,815,000</u>

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**20. *Liquidity and Availability***

The following represents MHIC's financial assets at December 31, 2021 and 2020:

	<i>2021</i>	<i>2020</i>
<i>Financial assets at year end:</i>		
Cash and cash equivalents	\$ 9,016,110	\$ 9,819,621
Restricted cash	4,017,328	4,166,478
Fee receivable - LIHTC Partnerships	1,727,201	2,105,146
Fee receivable - NMTC CDEs'	864,610	1,095,966
Current portion of program related loans	9,250,243	5,316,812
Program loan interest receivable	355,608	262,873
Accounts receivable	1,085,700	824,150
Due from affiliates	<u>1,066,803</u>	<u>534,653</u>
Total financial assets	<u>27,383,603</u>	<u>24,125,699</u>
 <i>Less amounts not available to be used within one year:</i>		
Net assets with donor restrictions	<u>(2,314,862)</u>	<u>(1,815,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 25,068,741</u>	<u>\$ 22,310,699</u>

As part of its liquidity management, MHIC has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, MHIC invests cash in excess of daily requirements in overnight funding deposits and money market accounts. The Board of Directors occasionally designates a portion of any operating surplus to provide for additional cash needs. Additionally, any proceeds received from the program related loans may be used to repay current obligations on notes payable, make new program related loans or be appropriated to support other aspects of MHIC's general operations.

**21. *COVID-19***

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. The COVID-19 outbreak has and may continue to negatively impact construction costs and timelines, as well as lease-up and cash flows for projects financed by MHIC, which in turn could affect the valuation of those assets and the liquidity associated with the collection of those accounts. During 2020, MHIC received \$761,100 in loan funds from Citizens Bank under the Paycheck Protection Program (PPP) funded by the SBA to support its programs and employees. MHIC used these funds for expenditures that qualified for loan forgiveness under the PPP. The loan was forgiven by the SBA on December 22, 2020.

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**21. COVID-19 – continued**

As of December 31, 2020, MHIC has accounted for the PPP loan proceeds as a conditional contribution, the conditions of which, have been met in accordance with GAAP. Additionally, MHIC received an EIDL loan from the SBA as described in Note 12.

The extent of the impact of COVID-19 on MHIC’s operational and financial performance will depend on specific developments, including the duration and spread of the outbreak, impact on its customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may continue to impact MHIC’s financial condition or results of operations is unknown.

**22. Commitments**

MHIC has formed Healthy Neighborhoods Equity Fund II Limited Partnership (HNEF II) for the purpose of investing in or making loans to operating limited partnerships and limited liability companies that intend to engage in the construction or rehabilitation of mixed-income, mixed-use commercial and residential developments (project partnerships). A subsidiary of MHIC will serve as the general partner of the entity.

As of December 31, 2021, MHIC has secured \$50,000,000 in commitments of capital from investors which will be limited partners in HNEF II. As of December 31, 2021, MHIC has loaned \$8,215,821 to project partnerships to bridge investor capital for HNEF II.

**23. Affiliated Entities**

Under GAAP, a not-for-profit corporation such as MHIC, that owns the general partner or managing member of a limited partnership or limited liability company, respectively, is presumed to have control of those organizations unless certain circumstances exist that overcome that presumption of control. Accordingly, MHIC is deemed to have control over HNEF LP, the LLC and seventeen LIHTC Partnerships, which have not been consolidated into these financial statements, even though consolidation is required under GAAP.

The following unaudited information summarizes the financial position and activities of these entities as of and for the years ended December 31, 2021 and 2020:

	<i>2021</i>	<i>2020</i>
Total assets	<u>\$ 268,566,842</u>	<u>\$ 299,162,463</u>
Total liabilities	\$ 5,929,834	\$ 23,081,424
Equity	<u>262,637,008</u>	<u>276,081,039</u>
Total liabilities and equity	<u>\$ 268,566,842</u>	<u>\$ 299,162,463</u>
Total operating revenue	\$ 2,146,165	\$ 2,178,016
Total operating expenses	(3,444,739)	(3,094,239)
Total non-operating revenue/(expenses)	<u>(44,042,546)</u>	<u>(49,539,407)</u>
Net loss	<u>\$ (45,341,120)</u>	<u>\$ (50,455,630)</u>

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Consolidated Financial Statements - *continued*  
December 31, 2021 and 2020

**24. *Subsequent Events***

MHIC has performed an evaluation of subsequent events through June 27, 2022, which is the date MHIC's consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2021, that require recognition or disclosure in these consolidated financial statements.

## **Supplemental Schedules**



**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Supplemental Consolidating Schedule of Financial Position  
December 31, 2021

<i>Assets</i>	<i>MHIC</i>	<i>MHEF</i>	<i>NSLF</i>	<i>HNEF LLCs'</i>	<i>CMF</i>	<i>NCF</i>	<i>Eliminations</i>	<i>Consolidated</i>
<i>Current Assets</i>								
Cash and cash equivalents	\$ 7,142,059	\$ 1,222	\$ 3,937	\$ -	\$ 5,851	\$ 1,863,041	\$ -	\$ 9,016,110
Restricted cash	3,738,498	-	-	-	-	278,830	-	4,017,328
Fee receivable - LIHTC Partnerships	1,727,201	-	-	-	-	-	-	1,727,201
Fee receivable - NMTC CDEs'	864,610	-	-	-	-	-	-	864,610
Current portion of program related loans	7,300,957	-	-	-	1,536,363	412,923	-	9,250,243
Program loan interest receivable	338,421	-	-	-	8,810	8,377	-	355,608
Accounts receivable	1,085,700	-	-	-	-	-	-	1,085,700
Due from affiliates	4,592,803	-	-	-	-	35,260	(3,561,260)	1,066,803
	<u>26,790,249</u>	<u>1,222</u>	<u>3,937</u>	<u>-</u>	<u>1,551,024</u>	<u>2,598,431</u>	<u>(3,561,260)</u>	<u>27,383,603</u>
<i>Other Assets</i>								
Investment in marketable securities	26,037	-	-	-	-	-	-	26,037
Investment in capital stock	319,400	-	-	-	-	-	-	319,400
Program related loans	16,643,471	-	-	-	590,664	2,110,041	-	19,344,176
Investment in subsidiaries	7,575,680	-	-	-	-	-	(7,575,680)	-
Program related investments	42,845	-	-	4,125,652	-	-	-	4,168,497
Other assets	240,537	-	-	-	109,591	11,118	-	361,246
Furniture, equipment and leasehold improvements, net of accumulated depreciation	150,156	-	-	-	-	-	-	150,156
	<u>24,998,126</u>	<u>-</u>	<u>-</u>	<u>4,125,652</u>	<u>700,255</u>	<u>2,121,159</u>	<u>(7,575,680)</u>	<u>24,369,512</u>
Total other assets	<u>24,998,126</u>	<u>-</u>	<u>-</u>	<u>4,125,652</u>	<u>700,255</u>	<u>2,121,159</u>	<u>(7,575,680)</u>	<u>24,369,512</u>
Total assets	<u>\$ 51,788,375</u>	<u>\$ 1,222</u>	<u>\$ 3,937</u>	<u>\$ 4,125,652</u>	<u>\$ 2,251,279</u>	<u>\$ 4,719,590</u>	<u>\$ (11,136,940)</u>	<u>\$ 51,753,115</u>

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Supplemental Consolidating Schedule of Financial Position - *continued*  
December 31, 2021

***Liabilities and Net Assets***

	<i>MHIC</i>	<i>MHEF</i>	<i>NSLF</i>	<i>HNEF LLCs'</i>	<i>CMF</i>	<i>NCF</i>	<i>Eliminations</i>	<i>Consolidated</i>
<i>Current Liabilities</i>								
Current portion of notes payable	\$ 195,561	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,561
Due to affiliates	-	-	-	-	26,000	3,500,000	(3,526,000)	-
Deferred grant revenue	1,492,765	-	-	-	-	-	-	1,492,765
Accrued expenses and other liabilities	1,158,535	-	-	-	-	-	(35,260)	1,123,275
Total current liabilities	<u>2,846,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>3,500,000</u>	<u>(3,561,260)</u>	<u>2,811,601</u>
<i>Long-Term Liabilities</i>								
Unearned fees	2,151,478	-	-	-	-	-	-	2,151,478
Notes payable	<u>23,866,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,866,273</u>
Total long-term liabilities	<u>26,017,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,017,751</u>
Total liabilities	<u>28,864,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>3,500,000</u>	<u>(3,561,260)</u>	<u>28,829,352</u>
<i>Net Assets</i>								
Without donor restrictions	20,608,901	1,222	3,937	4,125,652	2,225,279	1,219,590	(7,575,680)	20,608,901
With donor restrictions	<u>2,314,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,314,862</u>
Total net assets	<u>22,923,763</u>	<u>1,222</u>	<u>3,937</u>	<u>4,125,652</u>	<u>2,225,279</u>	<u>1,219,590</u>	<u>(7,575,680)</u>	<u>22,923,763</u>
Total liabilities and net assets	<u>\$ 51,788,375</u>	<u>\$ 1,222</u>	<u>\$ 3,937</u>	<u>\$ 4,125,652</u>	<u>\$ 2,251,279</u>	<u>\$ 4,719,590</u>	<u>\$ (11,136,940)</u>	<u>\$ 51,753,115</u>

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Supplemental Consolidating Schedule of Activities  
For the Year Ended December 31, 2021

	<i>MHIC</i>	<i>MHEF</i>	<i>NSLF</i>	<i>HNEF LLCs'</i>	<i>CMF</i>	<i>NCF</i>	<i>Eliminations</i>	<i>Consolidated</i>
<i>Operating Revenue and Support</i>								
Interest on deposits	\$ 12,053	\$ -	\$ -	\$ -	\$ 1,232	\$ 1,934	\$ -	\$ 15,219
Interest on program related loans	665,737	-	-	-	116,803	103,826	-	886,366
Unrealized loss on investments	(262)	-	-	-	-	-	-	(262)
Loan program revenue	1,172,758	-	-	-	-	-	-	1,172,758
NMTC program revenue	1,485,113	-	-	-	-	-	-	1,485,113
LIHTC program revenue	4,790,490	-	-	-	-	-	-	4,790,490
Other program revenue	961,732	-	-	-	8,006	81,621	(67,490)	983,869
Grant revenue	80,805	-	-	-	-	-	-	80,805
Total operating revenue and support	<u>9,168,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,041</u>	<u>187,381</u>	<u>(67,490)</u>	<u>9,414,358</u>
<i>Operating Expenses</i>								
Salaries and employee benefits	6,081,615	-	-	-	-	-	-	6,081,615
Occupancy, equipment and furniture	583,181	-	-	-	-	-	-	583,181
Professional services	1,481,468	-	-	-	-	-	-	1,481,468
Depreciation	86,662	-	-	-	-	-	-	86,662
Interest expense	237,832	-	-	-	-	-	-	237,832
Other office expenses and support	585,038	258	-	-	2,750	64,382	(67,490)	584,938
Total operating expenses	<u>9,055,796</u>	<u>258</u>	<u>-</u>	<u>-</u>	<u>2,750</u>	<u>64,382</u>	<u>(67,490)</u>	<u>9,055,696</u>
Change in net assets from operations	112,630	(258)	-	-	123,291	122,999	-	358,662
<i>Non - Operating Revenue/(Expenses)</i>								
Federal grant revenue	1,396,517	-	-	-	-	263,830	-	1,660,347
Other grant revenue	7,708,739	-	-	-	-	-	-	7,708,739
Other grant expenses	(7,708,739)	-	-	-	-	-	-	(7,708,739)
Loss from investment in subsidiaries	349,752	-	-	(160,110)	-	-	(349,752)	(160,110)
Total change in net assets	<u>\$ 1,858,899</u>	<u>\$ (258)</u>	<u>\$ -</u>	<u>\$ (160,110)</u>	<u>\$ 123,291</u>	<u>\$ 386,829</u>	<u>\$ (349,752)</u>	<u>\$ 1,858,899</u>
Net assets at beginning of year	\$ 21,064,864	\$ 1,480	\$ 3,937	\$ 4,285,762	\$ 2,101,988	\$ 832,761	\$ (7,225,928)	\$ 21,064,864
Change in net assets	<u>1,858,899</u>	<u>(258)</u>	<u>-</u>	<u>(160,110)</u>	<u>123,291</u>	<u>386,829</u>	<u>(349,752)</u>	<u>1,858,899</u>
Net assets at end of year	<u>\$ 22,923,763</u>	<u>\$ 1,222</u>	<u>\$ 3,937</u>	<u>\$ 4,125,652</u>	<u>\$ 2,225,279</u>	<u>\$ 1,219,590</u>	<u>\$ (7,575,680)</u>	<u>\$ 22,923,763</u>

**Schedule of Expenditures of  
Federal Awards**

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Schedule of Expenditures of Federal Awards  
December 31, 2021

<i>Federal Grantor (Pass-Through Grantor) Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
<b><i>U.S. Department of Treasury</i></b>				
<i>Direct Program:</i>				
Capital Magnet Fund	21.011	N/A	\$ 1,800,000	\$ -
Community Development Financial Institutions Program	21.020	N/A	1,071,917	-
COVID-19 Community Development Financial Institutions Program - Rapid Response	21.024	N/A	<u>394,165</u>	<u>-</u>
Total U.S. Department of Treasury			<u>3,266,082</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,266,082</u>	<u>\$ -</u>

*See accompanying notes to schedule of federal awards.*

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Notes to Schedule of Expenditures of Federal Awards  
December 31, 2021

**1. *Basis of Presentation***

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Massachusetts Housing Investment Corporation and its wholly owned subsidiaries (MHIC) under programs of the Federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MHIC, it is not intended to and does not present the financial position, changes in net assets or cash flows of MHIC.

**2. *Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

MHIC has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**3. *Capital Magnet Fund***

MHIC has been awarded \$1,800,000 by the Community Development Financial Institutions Fund to capitalize an Affordable Housing Fund and deploy loans under the Capital Magnet Fund program. The revolving loan fund has ongoing compliance requirements through the end of the Investment Period in January 2022. In accordance with award requirements, the Schedule includes outstanding loans and committed lines of credit as of December 31, 2021 and grant funds advanced but not deployed or committed as of December 31, 2021. At December 31, 2021, outstanding loans and committed lines of credit totaled \$1,311,333.

**Report on Internal Control and  
Compliance in Accordance with  
*Government Auditing Standards***



**DANIEL DENNIS & Co**  
Certified Public Accountants

*Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards*

To the Board of Directors of  
**Massachusetts Housing Investment Corporation**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Massachusetts Housing Investment Corporation (a nonprofit Organization) and its wholly owned subsidiaries' (MHIC), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 27, 2022, which was qualified because the consolidated financial statements do not include affiliated legally-separate for-profit entities which MHIC has sponsored in furtherance of its affordable housing charitable mission.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered MHIC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of MHIC's internal control. Accordingly, we do not express an opinion on the effectiveness of MHIC's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MHIC's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MHIC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MHIC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Daniel Dennis & Company LLP*

*June 27, 2022*

**Report on Compliance and  
Internal Control Required by  
the Uniform Guidance**



**DANIEL DENNIS & Co**  
Certified Public Accountants

*Independent Auditors' Report on Compliance For Each Major Program and on Internal Control  
Over Compliance Required by the Uniform Guidance*

To the Board of Directors of  
**Massachusetts Housing Investment Corporation**

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Massachusetts Housing Investment Corporation and its wholly owned subsidiaries' (MHIC) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of MHIC's major federal programs for the year ended December 31, 2021. MHIC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MHIC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MHIC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MHIC's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MHIC's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MHIC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MHIC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MHIC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MHIC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MHIC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Daniel Dennis & Company LLP*

*June 27, 2022*

**Schedule of Findings and  
Questioned Costs**

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2021

**SECTION I - Summary of Auditor's Results**

*Financial Statements*

Type of auditors' report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes      X   no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes      X   no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes      X   none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance? \_\_\_\_\_ yes      X   no

Identification of major programs:

*Federal Assistance Listing Number*

21.020  
21.024

*Name of Program or Cluster*

Community Development Financial Institutions Program  
COVID-19 Community Development Financial  
Institutions Program - Rapid Response

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      X   no

**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Schedule of Findings and Questioned Costs - *continued*  
For the Year Ended December 31, 2021

**SECTION II – Financial Statement Findings**

No matters were reported.

**SECTION III – Federal Award Findings and Questioned Costs**

No matters were reported.



**Massachusetts Housing Investment Corporation  
and Wholly Owned Subsidiaries**  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2021

There were no unresolved audit findings from prior years' audits of Massachusetts Housing Investment Corporation.